

Message Text

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67

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOT-00 INR-07 NSAE-00 FAA-00 SS-15 NSC-05 L-03 PA-01

PRS-01 USIA-06 CU-02 /062 W
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R 141615Z OCT 75

FM USMISSION USBERLIN

TO AMEMBASSY BONN

SECSTATE WASHDC 1543

INFO AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

USMISSION NATO

C O N F I D E N T I A L USBERLIN 2074

E.O. 11652: GDE

TAGS: PFOR, EAIR, WB, US, UK, FR, GW

SUBJECT: CIVAIR -- IGS FARES

REF: BONN 16258

1. SUMMARY: WE SHARE EMBASSY'S VIEW THAT FARE INCREASE AT PRESENT LIKELY TO FORCE FURTHER DECLINE IN IGS PASSENGER VOLUME, BUT ALSO FIND LARGER SUBSIDY UNATTRACTIVE. EITHER FARE INCREASE OR LARGER SUBSIDY, COMING ON HEELS OF RECENT LEVELING OFF OF PASSENGER TRAFFIC, WOULD BE ILL-TIMED AND WOULD BE SHARPLY CRITICIZED BY GERMANS. WE NOT INCLINED TO SEE PAN AM UNDERWRITE BRITISH AIRWAYS DEFICIT. END SUMMARY

2. FOR FIRST TIME SINCE MARCH 1972 PASSENGER VOLUME ON INNER-GERMAN SERVICE HAS NOT SHOWN DECLINE. BERLIN NEWSPAPERS OCT 7 NOTED SLIGHT RISE OF 0.1 PERCENT AS COMPARED TO SEPT 1974. WHEN SUBJECT RAISED WITH SENAT CHANCELLERY CHIEF HERZ, HERZ SAID HE HOPED DECLINE IN TRAFFIC HAD BOTTOMED-OUT BUT NOTED THAT SEPT 1975 WAS CONFIDENTIAL

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SPECIAL MONTH BECAUSE BERLIN AUTHORITIES HAD MADE EXTRA

EFFORT TO DRAW OUT-OF-TOWN VISITORS TO 25TH ANNUAL BERLIN MUSIC FESTIVAL AND BIENNIAL ELECTRONICS FAIR. BOTH EVENTS WERE EXTREMELY SUCCESSFUL IN ATTRACTING SUBSTANTIAL ADDITIONAL VISITORS TO BERLIN. HERZ CONCLUDED WE WOULD HAVE TO WAIT AND SEE WHAT SUBSEQUENT MONTHS BROUGHT IN WAY OF TRAFFIC FIGURES BEFORE CONCLUDING THAT BOTTOM HAD BEEN REACHED.

3. IMPLICATION OF HERZ'S ASSESSMENT IS THAT SENAT LIKELY TO BE PARTICULARLY UNHAPPY WITH NEW FARE INCREASE PROPOSAL JUST AT TIME WHEN TRAFFIC MAY HAVE LEVELED OFF. GERMAN SIDE WOULD BE QUICK TO CITE NOT ONLY TRAFFIC FIGURES BUT IMPROVED LOAD FACTORS NOTED PARA 3 REFTEL WHICH HAVE ALSO APPEARED IN BERLIN PRESS (E.G., TAGESSPIEGEL 5 SEPT). WE ALSO THINK NEW SUBSIDY EQUALLY UNATTRACTIVE.

4. WE RECOGNIZE PAN AM MAY EVENTUALLY COME UP WITH DATA JUSTIFYING FARE INCREASE, BUT WE NOW THINK IT UNFAIR TO PAN AM THAT BA'S COMPARATIVELY INEFFICIENT OPERATION PENALIZE PAN AM BY FORCING FARE INCREASE ON BOTH AIRLINES WHICH WOULD RESULT IN FURTHER DECLINE IN TRAFFIC (WE ASSUMING AIR FARES NOW PRICE ELASTIC IN DEPRESSED ECONOMY). WE THINK THAT BA'S INEFFICIENCIES ARE NEITHER A PROBLEM FOR BERLIN OR FRG BUT FOR HMG. AS LONG AS BRITISH CONSIDER IT POLITICALLY IMPORTANT TO MAINTAIN SUBSTANTIAL SHARE OF IGS, THEIR GOVERNMENT SHOULD FOOT BILL.

5. EMBASSY 'S SUGGESTION THAT SUBSIDY IS LESS UNATTRACTIVE ALTERNATIVE THAN FARE INCREASE STRIKES US AS DISTINCTION WITHOUT DIFFERENCE. BERLIN TRAVELING PUBLIC WOULD OF COURSE NOT BE DIRECTLY AFFECTED BY SUBSIDY INCREASE BECAUSE TRAVELER WOULD SEE NO INCREASE IN TICKET PRICE, BUT GIVEN EMERGENCE OF BUDGET DEFICIT AS POTENTIALLY DIVISIVE POLITICAL ISSUE IN BERLIN, MOST GERMAN OBSERVERS WOULD BE QUICK TO CRITICIZE ALLIED CARRIERS FOR BURDEN OF ADDITIONAL SUBSIDY IMPOSED ON GERMAN TAXPAYING PUBLIC. CONSEQUENTLY, WE PREFER NEITHER FARE INCREASE NOR SUBSIDY AT THIS TIME.DAVIS

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